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UNCLAS SECTION 01 OF 04 ATHENS 003229

SIPDIS

STATE FOR EUR/SE, EUR/ERA, EB/ESC/TFS, INL

JUSTICE FOR OIA AND AFMLS

TREASURY FOR FINCEN

E.O. 12958: N/A
TAGS: SNAR KTFN EFIN GR
SUBJECT: 2005-2006 INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT (INCSR) PART II FINANCIAL CRIMES AND MONEY LAUNDERING - GREECE

REF: A) STATE 210691; B) STATE 20958; C) STATE 20960; D) STATE 20961

¶1. The following is the 2005-2006 International Narcotics Control Survey Report (INSCR) Part II Financial Crimes and Money Laundering for Greece.

¶2. While not a major financial center, Greece is vulnerable to money laundering related to narcotics-trafficking, prostitution, contraband cigarette smuggling, and illicit gambling activities conducted by criminal organizations originating in former Soviet constituent countries, as well as in Albania, Bulgaria, Romania and other Balkan countries. Money laundering in Greece is controlled by organized local criminal elements associated with narcotics trafficking, and narcotics are a primary source of laundered funds. Most of the funds are not laundered through the banking system. Rather, they are most commonly invested in real estate, hotels, and consumer goods such as automobiles. Implementation of regulatory requirements documenting the flow of large sums of cash via financial and other institutions -- such as Greece's five private and two state-owned casinos -- should be more vigorous. The cross-border movement of illicit currency and monetary instruments is a continuing problem. Greece is not considered an offshore financial center. Greek laws allow banking authorities to check transactions of international business companies established in Greece with offshore operations. Senior Government of Greece (GOG) officials are not known to engage in or facilitate money laundering. Currency transactions involving international narcotics-trafficking proceeds are not believed to include significant amounts of U.S. currency.

¶3. Greece has three free-trade zones, located at Piraeus, Thessalonica and Heraklion port areas where goods of foreign origin may be brought into without payment of customs duties or other taxes and remain free of all duties and taxes if subsequently transshipped or re-exported. Handling operations are carried out according to EU regulations 2504/88 and 2562/90. There is no indication that these free zones are being used in trade-based money laundering schemes or by the financiers of terrorism.

¶4. The GOG criminalizes money laundering derived from all crimes in the 1995 Law 2331/1995. That law, "Prevention of and Combating the Legalization of Income Derived from Criminal Activities," imposes a penalty for money laundering of up to ten years in prison and confiscation of the criminally derived assets. The law also requires that banks and non-bank financial institutions file suspicious transaction reports (STRs). Legislation passed in March 2001 targets organized crime by making money laundering a criminal offense when the property holdings being laundered are obtained through criminal activity or cooperation in criminal activity. Money laundering became an offense in Greece under Presidential Decree 2181/93.

¶5. The GOG passed in November 2005 new legislation revising Law 2331/1995 to bring Greek legislation in line with EU directive 2001/97/EC. The new law, 3424/2005, extends the criminal base for money laundering by increasing the cases considered as money laundering to include terrorism financing, trafficking of people, electronic fraud and stock market manipulation. It also broadens the scope of individuals who are required to report suspicious transactions by including more professionals involved such as auction dealers and accountants. The new law also broadens the power of supervisory authorities and clarifies gray zones of previous legislation by deconflicting confidentiality rules and anti-money

laundering requirements imposed on banking and other financial institutions. It also provides supervisory authorities stronger and clearer legislative authority to prohibit transactions where money laundering is suspected.

¶6. In 2003 Greece enacted legislation (Law 3148) that incorporates European Union (EU) provisions in directives dealing with the operation of credit institutions and the operation and supervision of electronic money transfers. Under this legislation, the Bank of Greece has direct scrutiny and control over transactions by credit institutions and entities involved in providing services for fund transfers. The Bank of Greece issues operating licenses after a thorough check of the institutions, their management, and their capacity to ensure the transparency of transactions.

¶7. Law 3259/August 2004 allowed individuals and legal entities that pay taxes in Greece to repatriate capital from any bank account held outside Greece by paying a three percent tax on the transferred funds within six months (later extended to 9 months). The Bank of Greece, the nation's Central Bank, has issued a circular to financial institutions that receive repatriated funds, instructing them on how to scrutinize the transfers for possible money laundering. The Ministry of Economy and Finance has issued detailed instructions on the documentation and auditing procedures required for repatriating capital. According to the Bank of Greece, about 500 million euros have been actually transferred back to Greece under this law, considerably less than the amount anticipated.

¶8. The Bank of Greece (through its Banking Supervision Department), the Ministry of National Economy and Finance (which supervises the Capital Market Commission), and the Ministry of Development (through its Directorate of Insurance Companies) supervise and closely monitor credit and financial institutions. Supervision includes the issuance of guidelines and circulars, as well as on-site examinations aimed at checking compliance with anti-money laundering legislation. Supervised institutions must send to their competent authority a description of the internal control and communications procedures they have implemented to prevent money laundering. In addition, banks must undergo internal audits. Bureaux de change are required to send to the Bank of Greece a monthly report on their daily purchases and sales of foreign currency.

¶9. Under Decree 2181/93, banks in Greece must demand customer identification information when opening an account or conducting transactions that exceed 15,000 euros. If there is suspicion of illegal activities, banks can take reasonable measures to gather more information on the identification of the person. Greek citizens are asked to provide a tax registration number if they conduct foreign currency exchanges of 1,000 euros or more, and full identification of the transaction including name of recipient in exchanges of 12,500 euros or more. Banks and financial institutions are required to maintain adequate records and supporting documents for at least five years after ending a relationship with a customer, or in the case of occasional transactions, for five years after the date of the transaction.

¶10. Every bank and credit institution is required by law to appoint an officer to whom all other bank officers and employees must report any transaction they consider suspicious. Reporting obligations also apply to government employees involved in auditing, including employees of the Bank of Greece, the Ministry of Economy and Finance, and the Capital Markets Commission. Reporting individuals are required to furnish all relevant information to the prosecuting authorities. Reporting individuals are protected by law.

¶11. Greece has adopted banker negligence laws under which individual bankers may be held liable if their institutions launder money. Banks and credit institutions are subject to heavy fines if they breach their obligations to report instances of money laundering; bank officers are subject to fines and a prison term of up to two years. In November 2005, the Bank of Greece announced that in 2005 the Bank had imposed fines of a total amount of 8.8 million euros to 13 credit institutions and 7 bureaux de change and revoked the license of one bureau de change for violations of money laundering laws. The Bank had imposed similar fines and administrative sanctions to financial institutions, including prohibiting the opening of new branches, in previous years as well, since enactment of money laundering law 2331 of 1995.

There have been no objections from banking and political groups to the Greek government's policies and laws on money laundering.

¶12. All persons entering or leaving Greece must declare to the authorities any amount they are carrying over 2,000 euros. Reportedly, however, cross-border currency reporting requirements are not uniformly enforced at all border checkpoints.

¶13. Law 2331/1995 establishes the Competent Committee (CC) to receive and analyze STRs and to function as Greece's Financial Intelligence Unit (FIU). The CC is chaired by a senior judge and includes representatives from the Bank of Greece, the nation's Central Bank; various government ministries; and the stock exchange. If the CC believes that an STR warrants further investigation, it forwards the STR to the Financial Crimes Enforcement Unit, a multi-agency group that functions as the CC's investigative arm. In 2004, the Financial Crimes Enforcement Unit was renamed the Special Control Directorate (YPEE) and placed under the direct supervision of the Ministry of Economy and Finance. The CC is also responsible for preparing money-laundering cases on behalf of the Public Prosecutor's Office.

¶14. Law 3424 passed in November 2005 upgrades the CC to an independent authority, which is authorized access to public and private files without being prevented by tax confidentiality. The committee's authority in the evaluation of information transmitted by different sources in Greece and by international organizations is broadened. The committee is authorized to block suspects' funds and to impose penalties not only to money laundering incumbents but also to those who fail to report illegal transactions. The committee is also obliged to respond back to banks and inform them of actions taken so that there is continuity in reported cases.

¶15. There have been several arrests for money laundering since January 2002. These involved the Greek owners (and their spouses) of vessels transporting cocaine from Colombia and other Western Hemisphere countries. The guilty parties received five-year sentences.

¶16. With regard to the freezing of accounts and assets, Law 3424/2005 harmonizes Greece's laws with relevant legislation of the EU and other international organizations. The new law incorporates elements of the EU Framework Decision on the freezing of funds and other financial assets and the EU Council regulation on combating the financing of terrorism. The Greek Government says it will promulgate regulations implementing law 3424/2005 in the first quarter of 2006. YPEE has established a mechanism for identifying, tracing, freezing, seizing, and forfeiting assets of narcotics-related and other serious crimes; the proceeds are turned over to the GOG. According to the 1995 law, all property and assets used in connection with criminal activities is seized and confiscated by the GOG following a guilty verdict. Legitimate businesses can be seized if used to launder drug money. The GOG has not enacted laws for sharing seized narcotics-related assets with other governments.

¶17. The Ministry of Justice unveiled legislation on combating terrorism, organized crime, money laundering, and corruption in March 2001; Parliament passed the legislation in July 2002. Under a new counterterrorism law (Law 3251/July 2004), anyone who provides financial support to a terrorist organization faces imprisonment of up to ten years. If a private legal entity is implicated in terrorist financing, it faces fines of between 20,000 and 3 million euros, closure for a period of two months to two years, and ineligibility for state subsidies. The new law incorporates the Financial Action Task Force (FATF) Special Eight Recommendations on Terrorist Financing and Law 3424/2005 completed the task by revising Law 2331/1995. According to the GOG, FATF Special Recommendation on cash couriers will be adopted at a later date following the issuance of a relevant EU directive.

¶18. The Bank of Greece and the Ministry of National Economy and Finance have the authority to identify, freeze, and seize terrorist assets. The Bank of Greece has circulated to all financial institutions the list of individuals and entities that have been included on the UNSCR 1267 Sanctions Committee's consolidated list as being linked to Usama Bin Laden, the al-Qaida organization, or the Taliban, or that the EU has designated under relevant authorities. Suspect accounts (of small amounts) have been identified and frozen.

¶19. There are no known plans on the part of the GOG

to introduce legislative initiatives aimed at regulating alternative remittance systems. Illegal immigrants or individuals without valid residence permits are known to send remittances to Albania and other destinations in the form of gold and precious metals, which are often smuggled across the border in trucks and buses. The financial and economic crimes police as well as tax authorities closely monitor charitable and nongovernmental organizations; there is no evidence that such organizations are being used as conduits for the financing of terrorism.

¶20. Greece is a member of the FATF, the EU, and the Council of Europe. The CC is a member of the Egmont Group. The GOG is a party to the 1988 UN Drug Convention, and in December 2000 became a signatory to the UN Convention against Transnational Organized Crime. On April 16, 2004, Greece became a party to the UN International Convention for the Suppression of the Financing of Terrorism. Greece has signed bilateral police cooperation agreements with Egypt, Albania, Armenia, France, the United States, Iran, Israel, Italy, China, Croatia, Cyprus, Lithuania, Hungary, Macedonia, Poland, Romania, Russia, Tunisia, Turkey, and Ukraine. It also has a trilateral police cooperation agreement with Bulgaria and Romania, and a bilateral agreement with Ukraine to combat terrorism, drug trafficking, organized crime and other criminal activities.

¶21. Greece exchanges information on money laundering through its Mutual Legal Assistance Treaty (MLAT) with the United States, which entered into force November 20, 2001. The Bilateral Police Cooperation Protocol provides a mechanism for exchanging records with U.S. authorities in connection with investigations and proceedings related to narcotics trafficking, terrorism, and terrorist financing. Cooperation between the U.S. Drug Enforcement Administration and YPEE has been extensive, and the GOG has never refused to cooperate. The CC can exchange information with other FIUs, although it prefers to work with a memorandum of understanding in such exchanges.

¶22. The Government of Greece is moving forward well in adjusting its legislation to international standards by gradually incorporating all EU directives on money laundering and terrorism financing. 2006, however, will be a year in which Greece needs to begin aggressive implementation of the good legislative tools it now has at its disposal. Greece should also ensure uniform enforcement of its cross-border currency reporting requirements and take improved steps to deter the smuggling of precious gems and metals across its borders.

COUNTRYMAN